

**Capacity Support to the  
Agricultural Commodity Exchange for Africa Trust  
October Progress report**



Figure 1 1st Warehouse Receipt Truck in Malawi Arrives



Figure 2 Truck offloads at Grain Security Silo Kanengo Lilongwe

**1<sup>st</sup> October – 31 October 2011**

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## Project Abstract

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The Agricultural Commodity Exchange for Africa (ACE) was established in July 2004, with a grant from USAID through NASFAM who identified a need to bring more order to the market place. ACE has operated a live exchange trading platform since late October 2006 and has since then facilitated trade of 80,148.66mt of commodities worth USD 25,845,561.25mt across the exchange.

ACE had been struggling for a long period with very limited funding and lack of support from the market. COMPETE awarded ACE bridging funding to help it set up necessary processes or baselines to generate agricultural commodity market access, encourage transparency and hence commodity price discovery. This bridging funding also enabled ACE to stay operative and only after a couple of weeks this proved to be very important. WFP decided to test procurement through ACE, which generated a much needed pull in the market. ACE is now enjoying the benefits of last year's pull with 6 registered traders now procuring through ACE, and has since generated trade commission's of more than USD 7,700.25 in 11 months. WFP regional procurement continues to grow and have since registered new members in Kenya, and Tanzania. With prospective delivery points in Lesotho, Mombasa, Cameroun. ACE expects the regional membership to grow beyond Southern and eastern Africa.

Compete funds activities further enhance farmer organization outreach, integration and expansion of BVO, Trade and warehouse receipting systems, and efforts to facilitate more regional procurement. The COMPETE funds, continue to enhance ACE capacity to undertake increasing procurement demands as well as means needed to develop the software applications necessary to fully harness benefit WFP and other commercial operators is bringing to the market. Strides have been taken to complete the warehouse receipt system software; the system has been fully integrated with BVO and trade platforms

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### Briefing

October marks the final trading month for most smallholder farmers as they prepare their fields for November planting period. Lack of storage at farm level means most farmers are only able to keep grain for a couple of months before it significantly deteriorates in quality hence are forced to sale by end of October. Almost 90% of stable food Maize sold from smallholder farmers is sold between June and August. In the months of October onwards we see a significant increase in sales by a medium to a large scale trader as they have the capacity to store the grain and perhaps enjoy a much higher premium price as supply is much lower. The lean months of January to March, we are likely to see more activity from World food program as some parts of the country may experience hunger as reported in Famine early warning systems network (FEWSNET).

ACE is attempting to break this cycle with the introduction of a warehouse receipt system in both rural and urban areas, the receipt will allow farmers to access finance for their immediate needs during harvest period when prices are extremely low. This will give a chance to farmer to sell the receipt in lean periods of the season therefore fetching a premium price. Issues of lack of storage and deteriorating quality will also be avoided. The receipt system went through a pilot stage and is expected to scale up next harvest season with more available storage centers.

### Trades on ACE updated on 10/30/2011

Quantities	Total	January	February	March	April	May	June	July	August	September	October
2006	60.00										
2007	4,765.00	0.00	2,012.00	1,000.00	0.00	1,500.00	150.00	1.00	0.00	0.00	90.00
2008	9,049.00	90.00	0.00	0.00	0.00	0.00	200.00	1,206.00	4,005.00	0.00	1,820.00
2009	14,505.90	572.00	1,319.50	818.00	600.00	30.00	1,435.70	1,426.00	6,881.70	651.00	772.00
2010	19,476.05	1,016.00	0.00	2,462.90	780.00	270.00	3,224.45	798.00	1,860.00	2,172.20	4,207.00
2011	33,376.58	2,054.06	4,166.00	8,743.00	698.00	597.15	14,294.50	1,191.90	463.10	110.00	1,058.87
Total	81,232.53										
Value		January	February	March	April	May	June	July	August	September	October
2006	45,780.00										
2007	1,413,144.00	0.00	225,640.00	730,000.00	0.00	330,000.00	112,500.00	1,570.00	0.00	0.00	8,550.00
2008	3,266,530.00	8,550.00	0.00	0.00	0.00	0.00	124,000.00	234,160.00	1,528,950.00	0.00	753,200.00
2009	4,749,844.00	192,900.00	485,915.00	274,916.00	195,000.00	46,070.00	584,222.00	494,168.00	2,004,765.00	199,345.00	272,543.00
2010	6,348,667.65	518,995.00	0.00	589,881.20	192,505.00	129,522.60	1,097,604.38	231,091.97	725,060.87	724,380.42	1,089,539.31
2011	9,777,103.12	559,615.82	983,345.50	2,324,471.83	337,226.30	191,776.01	4,420,689.94	340,944.62	137,990.07	62,275.00	418,768.03

## Summary of activities

Result	Verifiable indicator	Remarks	Level of Achievement
First regional procurement through ACE with Delivery in Zimbabwe. ACDI VOCA / World Vision application to USDA to procure food aid to ZIM has been finalized. (Please see cover letter attached)	1) 10000 MT of commodity contacted for regional procurement through the BVO system 2) USD 7000 in commission and fees to ACE	12,039Mt of commodity has been contracted for deliveries in Maputo, Tete, Beira, Harare, and Bulawayo through regional WFP BVO system in direct competition with Closed tender system in more than 3 countries. Generating USD 2,429 exchange commission. Please see trade statistics below. USDA Procurement stalled.	100%
Integration of BVO system, trade platform and warehouse receipt system	1) Fully integrated trade system utilized by ACE and ZAMACE	All platforms are integrated using one main database, can now be fully utilized on ACE & Zamace, Further talks are now on to integrate part system with the Tanzanian. ACE website designed to incorporate trade scrolling screen.	98%
Warehouse receipt system will start implementation in 2011. ACE will manage the registry and the first receipts will be financed and traded	1) Rural and Urban Warehouse receipt financed 2) Rural and Urban Warehouse receipt traded on ACE	116mt of Receipts issued and financed at 60% market value. The first receipt is now on sale from 4 <sup>th</sup> October and expecting to fetch a higher price than at the time of storage. There is a need to renovate most rural storages to adhere to conditions necessary for insurance hence Warehouse receipt. ACE expects rural receipts to be issued next harvest season. Further software development is taking place with the help of a specialist	80%
Expanding the reach to farmer organizations	1) 30 farmer organizations to participate on ACE	12 Farmer organizations participated in one or more trade sessions in the past Quarter. There were fewer BVO sessions in August, however farmer organizations have traded through ACE scrolling screen by accepting bids to buy from larger traders. A total of 92 contacts of 2700mt derived from FOs and small to medium traders.	100%

## Software Development Expectations

With the help of specialist now the system database have been fully normalized, we are able to submit Bids/Offer, Accepting Bid/offer and generate a contract, On BVO we can submit the BVO Agreement and accept the BVO, trade on BVO. On Warehouse receipt functions, we can generate new receipt, Split the warehouse receipt, offer the warehouse receipt for sell and we have also done costing of the warehouse receipt. we are now working on the Bank functions.